

7 MAR 1958

Commander Bernard M. Baruch, Jr.

Dear Barney:

Thank you for your letter of 25 February in which you raise the question of Soviet gold sales, and suggest a boycott against the purchase of Soviet gold by Western countries. You may recall that back in the 1920s, during the early years of the Soviet regime, a boycott of this nature was attempted. It failed largely because of the willingness of one country, Sweden, to act as a middleman in the sale of Soviet gold.

In recent years, the United States has not bought gold identified as of Soviet origin. On the other hand, Soviet gold sales have been an important factor in the recent strengthening of the pound sterling. Further, most Soviet gold is currently being bought by dealers in the London gold market. Thus, the British have a direct concern in this matter. Even if the London market were removed, there are other countries who are in a position to handle the Soviet sales. The problem is indeed a knotty one.

Incidentally, the only feature that distinguishes Soviet gold bars from other bars is the Soviet refinery stamp. This mark may be removed at a cost of less than two cents per ounce of gold by resmelting the bars. As a matter of fact, most Soviet gold bars received in the Free World are resmelted by the recipients and thus lose their Soviet identity.

As you imply in your letter, the flow of gold in international commerce has many interesting implications -- both commercial and political. Activity in this field is

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of concern to a number of Federal agencies, and, of course, the matter is one which receives appropriate attention here.

I enjoyed your recent visit. It was good seeing you and talking with you again. I appreciate your writing me on this important subject.

With kindest regards,

Sincerely,

C. P. Cabell
Lieutenant General, USAF
Deputy Director

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ORR/S [REDACTED] (3/5/58)

Rewritten: O/DDCI [REDACTED]

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